

**ALASKA STATE LEGISLATURE
HOUSE TRANSPORTATION STANDING COMMITTEE**

March 16, 2021

1:32 p.m.

MEMBERS PRESENT

Representative Grier Hopkins, Chair
Representative Sara Hannan, Vice Chair
Representative Ivy Spohnholz
Representative Harriet Drummond
Representative Tom McKay
Representative Kevin McCabe
Representative Mike Cronk

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 104

"An Act relating to vehicle registration and registration fees; relating to the motor fuel tax; and providing for an effective date."

- MOVED HB 104 OUT OF COMMITTEE

PRESENTATION: MOTOR FUEL TAX

- HEARD

PREVIOUS COMMITTEE ACTION

BILL: HB 104

SHORT TITLE: MOTOR FUEL TAX; VEHICLE REG. FEE

SPONSOR(s): REPRESENTATIVE(s) JOSEPHSON

02/19/21	(H)	READ THE FIRST TIME - REFERRALS
02/19/21	(H)	TRA, FIN
03/04/21	(H)	TRA AT 1:30 PM BARNES 124
03/04/21	(H)	Heard & Held
03/04/21	(H)	MINUTE (TRA)
03/16/21	(H)	TRA AT 1:30 PM BARNES 124

WITNESS REGISTER

REPRESENTATIVE ANDY JOSEPHSON

Legislator

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Introduced HB 104 as prime sponsor.

NICOLE REYNOLDS

Deputy Director

Division of Tax

Department of Revenue

Juneau, Alaska

POSITION STATEMENT: Presented a PowerPoint and answered questions during the hearing.

JOHN BINDER

Deputy Commissioner

Department of Transportation and Public Facilities

Juneau, Alaska

POSITION STATEMENT: Answered a question during the hearing.

DONNA SCHANTZ

Executive Director

Prince William Sound Regional Citizens Advisory Council

Homer, Alaska

POSITION STATEMENT: Testified during the hearing.

MAKO HAGGERTY

Prince William Sound Regional Citizens Advisory Council

Homer, Alaska

POSITION STATEMENT: Testified during the hearing.

ROBERT ARCHIBALD

President

Prince William Sound Regional Citizens Advisory Council

Homer, Alaska

POSITION STATEMENT: Testified during the hearing.

MIKE COONS

Palmer, Alaska

POSITION STATEMENT: Testified during the hearing.

JOE MICHEL

Executive Director

Alaska Trucking Association

Anchorage, Alaska

POSITION STATEMENT: Testified during the hearing.

BRITTANY STAMPOHAR

Government Relations Liaison

Associated General Contractors of Alaska

Fairbanks, Alaska

POSITION STATEMENT: Testified during the hearing.

EDITH MCKEE

Anchorage, Alaska

POSITION STATEMENT: Testified during the hearing.

BERT HOUGHTALING

Big Lake, Alaska

POSITION STATEMENT: Testified during the hearing.

NATHANIEL GRABMAN

Staff to Representative Andy Josephson

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: On behalf of Representative Josephson, prime sponsor, offered comments during the hearing.

ACTION NARRATIVE

[1:32:43 PM](#)

CHAIR GRIER HOPKINS called the House Transportation Standing Committee meeting to order at 1:32 p.m. Representatives Hannan, Drummond, McKay, McCabe, Cronk, and Hopkins were present at the call to order. Representative Spohnholz arrived as the meeting was in progress.

HB 104-MOTOR FUEL TAX; VEHICLE REG. FEE

[1:33:52 PM](#)

CHAIR HOPKINS announced that the first order of business would be HOUSE BILL NO. 104, "An Act relating to vehicle registration and registration fees; relating to the motor fuel tax; and providing for an effective date."

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REPRESENTATIVE ANDY JOSEPHSON, Legislator, Alaska State Legislature, as prime sponsor, presented HB 104. Doubling a very small tax set in 1970 was reasonable considering affective inflation, he put forth. Although the money was designated and not dedicated, it was traditionally used for highway

improvements, and things that make the economy work and run. He referenced an opinion piece which had stated mileage is higher, and therefore more road miles covered with less tax. Diminishing throughput has been an issue as well, he added. Furthermore, HB 104 would increase revenue for the Spill Prevention and Response unit (SPAR), he added.

1:37:09 PM

CHAIR HOPKINS asked under which category to find HB 104.

REPRESENTATIVE JOSEPHSON replied under designated general funds.

PRESENTATION: Motor Fuel Tax

1:38:08 PM

NICOLE REYNOLDS, Deputy Director, Division of Tax, Department of Revenue, presented on motor fuel, beginning with its definition in statute as any fuel used in an engine for the propulsion of a motor vehicle or aircraft, fuel used in or on watercraft for any purpose, or fuel used in a stationary engine, machine or mechanical contrivance which is run by an internal combustion motor. Regulations which interpret Motor Fuel Tax statutes were 15 AAC 40.300 and 15 AAC 40.900, she shared. Ms. Reynolds went over a list of fuel types and uses not considered motor fuel and which were therefore exempt, such as fuel sold to federal, state, and local governments for official use, fuel used to heat private or commercial buildings or facilities, fuel sold or transferred between qualified dealers, fuel sold to electric or telephone cooperatives, fuel sold by charitable institutions, and fuel used to fly to and from foreign countries. Exempt from the surcharge was exported fuel, if refined outside the US.

MS. REYNOLDS shared a brief history of motor fuel tax: in 1945 the first motor fuel tax was levied at \$0.01/gallon; in 1970, motor fuel tax was increased to \$0.08/gallon; in 1977, marine fuel tax was increased to \$0.05/gallon; in 1994, aviation fuel tax was increased to \$0.047/gallon; from September 1, 2008 to August 31, 2009 motor fuel tax was suspended across all fuel types; in 2015 HB 158 added a \$0.0095/gallon surcharge on motor fuel; in 2019 Senate Bill 115 proposed to increase highway fuel, gasohol, and marine fuel rates, but SB 115 did not pass both bodies.

MS. REYNOLDS shared current motor fuel tax rates and surcharges, as listed on slide 4: highway fuel was \$0.08/gallon; marine fuel \$0.05/gallon; aviation fuel \$0.047/gallon; jet fuel

\$0.032/gallon; and gasohol \$0.08/gallon or \$0.02/gallon depending on the season, location, and US Environmental Protection Agency mandates. Generally, motor fuel was taxed when sold to a qualified dealer, directly to a user, or to a reseller, she said. Sales between qualified dealers were not taxed, she said, qualified dealers being wholesalers who refined, imported, manufactured, or produced motor fuel and who must be licensed by the Department of Revenue (DOR). Persons who first sold untaxed motor fuel in the state were responsible for paying the tax, she added. In the event fuel was sold and transferred into a common storage tank serving both taxable and exempt uses, fuel would be taxed at the highest-taxed rate of use, and the taxpayer may claim a refund if they establish the fuel was used for an exempt purpose or for a use that would qualify for a lower tax rate than the rate that had been paid, she stated.

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REPRESENTATIVE HANNAN asked for an example of the kind of "untaxed-then-put-into-a-tank-then-comingled-with-taxable" bulk fuel as an entity.

MS. REYNOLDS offered as an example heating or dual-purpose fuel which was then transferred into a common storage tank, which was then used as highway fuel as well as heating fuel and must be taxed at the highway fuel rate. An exemption could be granted if it were proven the fuel was also used as heating fuel.

REPRESENTATIVE HANNAN asked how many people were doing this.

MS. REYNOLDS replied not only individuals, but also corporations and other entities.

REPRESENTATIVE HANNAN asked for an example of a type of business who likely did this on a regular basis and filed annually with the DOR for it.

MS. REYNOLDS replied mining companies.

[1:49:47 PM](#)

REPRESENTATIVE SPOHNHOLZ asked for a description of both taxed and untaxed heating fuel.

MS. REYNOLDS replied heating fuel was not taxed but was subject to the surcharge.

[1:50:17 PM](#)

REPRESENTATIVE DRUMMOND asked if the surcharge was charged on all types of fuels including jet fuel.

MS. REYNOLDS replied no, aviation fuel was not subject to the surcharge.

REPRESENTATIVE DRUMMOND asked which types of fuel did not get the surcharge, aviation fuel or just jet fuel.

MS. REYNOLDS replied exemptions were fuel sold to federal or state agencies for official use, fuel sold outside the US, liquified petroleum gas, aviation fuel, and fuel sold or transferred between qualified dealers.

REPRESENTATIVE DRUMMOND looked to confirm aviation fuel and jet fuel were not subject to the surcharge.

MS. REYNOLDS replied aviation fuel was not and jet fuel may be, but she would have to follow up with that information.

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MS. REYNOLDS moved on to slide 5 on motor fuel tax returns. Returns were filed and tax was paid monthly, she shared. Generally, tax was collected at the time of sale and remitted to the DOR on the last day of the month following the sale or transfer. Taxpayers were required to file and pay online and must file a separate return for each type of fuel sold, she added, and taxpayers who filed and paid on time could receive a credit of 1% of the tax and surcharge due (limited to a maximum credit of \$100 per return), she said. The four types of returns were gasoline, diesel, aviation, and gasohol, she added.

MS. REYNOLDS moved on to slide 6, a chart on historic taxable gallons, pointing out that in the last four years the DOR had seen about a 20-million-gallon decline in fuel sold. In a summary of historic tax collections over the last four years on slide 7, penalties, interest, and destination of money were all included on a chart. Over the past four years there has been a slight increase in collections as was exemplified in a bar graph on slide 8.

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REPRESENTATIVE SPOHNHOLZ asked why there had been a decline in aviation fuel.

1:58:23 PM

JOHN BINDER, Deputy Commissioner, Department of Transportation and Public Facilities, replied the decline in aviation fuel had been a trend nationwide. Not as many younger folks entering the realm in combination with carriers and fleets upgrading to newer aircrafts, turbine-type engines that used jet fuel as opposed to aviation gasoline.

1:59:25 PM

CHAIR HOPKINS opened public testimony on HB 104.

1:59:54 PM

DONNA SCHANTZ, Executive Director, Prince William Sound Regional Citizens Advisory Council, testified in support of HB 104. Ms. Schantz relayed the revenue shortfall had diminished the ability of the state to prevent oil spills and protect health and safety, to maintain an adequate level of readiness, and had taken away the ability to respond rapidly should a spill occur. She pointed out revenue generated by the increase to the refined fuel surcharge would go directly into the SPAR account and was necessary to close the revenue gap. The SPAR Division had absorbed the elimination of 17 positions since 2015, she stated, and Governor Mike Dunleavy's proposed budget for 2022 would cut five more positions, resulting in increased workloads for employees and a caseload of over 2,400 contaminated sites. The SPAR Division had moved beyond having to do "more with less" and was now having to do "less with less" while still meeting responsibilities. With the additional five positions being cut, SPAR would have to prioritize contaminated sites, resulting in delays in addressing sites or having them not be addressed at all.

2:03:10 PM

MAKO HAGGERTY, Board Member, Prince William Sound Regional Citizens Advisory Council, testified in support of HB 104. Mr. Haggerty said positions being lost at the SPAR Division was very concerning, as SPAR funding was used to clean up PFAS contamination.

2:05:45 PM

ROBERT ARCHIBALD, President, Board of Directors, Prince William Sound Regional Citizens Advisory Council, testified in support of HB 104. Mr. Archibald said the state must be able to oversee cleanup if another major oil spill occurred, and the SPAR Division would be in the red if revenue sources were not added.

[2:08:39 PM](#)

MIKE COONS, President, Matanuska-Susitna Chapter of the Association of Mature American Citizens, spoke in opposition of HB 104. Mr. Coons stated figures regarding commuting and cost increases by Representative Josephson and staff were incorrect. Mr. Coons said Anchorage drivers paid \$.26 per gallon in taxes and seniors on fixed income were not ready to pay for an increase. He added if charging stations were used, electricity should also be taxed.

[2:11:00 PM](#)

JOE MICHEL, Executive Director, Alaska Trucking Association, testified in support of HB 104. He added he would like to see it address maintenance and construction of highways.

[2:13:06 PM](#)

BRITTANY STAMPOHAR, Government Relations Liaison, Associated General Contractors of Alaska, spoke in support of HB 104. Ms. Stampohar stated the motor fuel increase would take a meaningful and reasonable approach to funding the state's backlog of maintenance and infrastructure needs while improving general fiscal responsibility. The increase was good for industry and for Alaska, she stated on behalf of the organization.

[2:14:53 PM](#)

EDITH MCKEE testified in support of HB 104. Ms. McKee stated despite having over 5K miles of roads as well as the largest aviation system in the US, the state's maintenance and operations budget had been cut within the last decade by 20%. Operational needs currently exceeded proposed budget allocations for highways and aviation, which impacted the safety of communities across Alaska, she offered, and furthermore, thirty-one states had already raised the motor fuel tax, she pointed out. While many states funded up to 75% of transportation spending, Alaska funded a mere 10%, she stated. A former DOT&PF employee, Ms. McKee stated it was often maintenance and

operations divisions that received the first round of layoffs because highway construction and design was funded through federal dollars.

[2:16:40 PM](#)

BERT HOUGHTALING testified against HB 104. Aligning his belief with that of Mr. Coons, he said commuters purchasing fuel were already disadvantaged enough due to the COVID-19 pandemic, and it was not the right time for the increase.

[2:18:40 PM](#)

CHAIR HOPKINS closed public testimony on HB 104.

[2:19:01 PM](#)

NATHANIEL GRABMAN, Staff to Representative Josephson, Alaska State Legislature, offered closing remarks and replies to public testifiers on HB 104. Mr. Grabman replied to those standing in opposition of HB 104 that Economic Development Director Dave Hanson had done a study and come up with the average of \$100 in extra costs per year for drivers. Homes in Anchorage cost on average \$78K more than homes in the Matanuska-Susitna Valley, and the average earner had a higher income per capita, so there were trade-offs, he added.

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REPRESENTATIVE MCCABE said he would love to see data from Director Hanson, as he supposed the increase to be quite a bit more. He added his home cost more than some homes in Anchorage.

[2:21:31 PM](#)

REPRESENTATIVE CRONK stated he was confused how the value of a home related to HB 104.

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CHAIR HOPKINS looked to the will of the committee.

[2:22:09 PM](#)

The committee took a brief at-ease.

[2:22:20 PM](#)

REPRESENTATIVE HANNAN moved to report HB 104 out of committee with individual recommendations and the accompanying fiscal notes.

[2:22:37 PM](#)

REPRESENTATIVE MCCABE objected, as more time was needed for public testimony.

[2:24:22 PM](#)

The committee took a brief at-ease.

[2:24:35 PM](#)

A roll call vote was taken. Representatives Drummond, Hannan, Spohnholz and Hopkins voted in favor of HB 104. Representatives McKay, McCabe, and Cronk voted against it. Therefore, HB 104 was reported out of the House Transportation Standing Committee by a vote of 4-3.

[2:25:42 PM](#)

The committee took an at-ease from 2:25 p.m. to 2:29 p.m.

[2:29:43 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Transportation Standing Committee meeting was adjourned at 2:29 p.m.